



## Independence, Clarity, and Common Sense

JimLorenzen, CFP®, AIF®

The compensation and expense conversation is often discussed in the media, virtually always to the exclusion of risk mitigation, strategic tax optimization, or wealth management benefits not addressed in either their 'in-a-box' solutions or via the DVD products they sell. The result is an absence of the value equation (benefit – cost = value) any valid decision would use as a basis. Costs are a valid concern, however, for both IFG clients, as well as the advisor. All IFG fees will be fully disclosed in advance and will be based on your needs and the services to be provided.



**The concept behind the IFG fee structure is simple:** Ongoing services, i.e., financial planning and investment advisory services, use an ongoing compensation model. Processes requiring few or no ongoing services, i.e., life insurance, are not charged ongoing fees and use a single compensation model. All fees are clearly explained in all IFG proposals and are mutually agreed upon prior to you becoming a client.

### Compensation Breakdown:

**Initial Introductory/Gap Analysis Meeting:** This includes all preparation and follow up in order to provide you with an informed analysis of your current situation. Fee: \$300.

### Financial Planning and Investment Advisory Fees:

- I. **Initial financial planning:** A requirement for becoming an IFG investment advisory client, this fee is quoted on a defined-project basis. Upon completion of the gap analysis, you will receive a written proposal with everything clearly spelled-out.
- II. **Ongoing investment advisory with financial plan reviews and updates.** Financial planning and investment advisory services go hand-in-hand at IFG with compensation based as follows:
  - ◆ **Assets Under Management (AUM): \$500K+**
    - **Financial planning:** A separate fee for financial planning services is charged only for 'held-away' assets (those not covered by an IFG investment advisory agreement) with IFG's planning fee discounted equal to the percentage of the client's total financial assets being held at IFG. Example: If 75% of your financial assets are placed through IFG, your fee for the ongoing planning reviews concerning 'held-away' assets is discounted at 75%. This structure ties IFG's compensation not only to portfolio performance, but also to cost-efficiency.
    - **Investment advisory** fees are paid according to the investment advisory fee schedule (see next page) which encompasses all ongoing financial planning review and update meetings and services for assets placed through IFG, including investment advisory services, encompassing ongoing due-diligence, monitoring, and client education. The investment advisory fee is asset-based and automatically deducted quarterly in accordance with IFG's investment advisory fee schedule (next page) by the custodial firm and fully disclosed.

- **AUM below \$500K:** Once the initial plan is completed, semi-annual financial plan updates and reviews are charged at a rate of \$300 per hour with a subscription retainer paid by bank ACH or credit card at \$450 quarterly. The investment advisory fee is asset-based and automatically deducted on a quarterly in accordance with IFG’s investment advisory fee schedule (below) by the custodial firm and fully disclosed.
- **Financial Planning Only:** These are rarely accepted and on a very limited basis.\* Plan updates and reviews are charged at a rate of \$300 per hour and provided on a subscription retainer basis paid by bank ACH or credit card at \$450 quarterly.

**IFG’s investment advisory fee schedule\*\*:**

On the first \$500,000                    1.20% annually (0.30% quarterly)  
 On the next \$500,000                    0.70% annually (0.175% quarterly)  
 On assets over \$1,000,000            0.50% annually (0.125% quarterly)  
 As asset levels increase, the fee percentage declines.

Examples:		
Client Assets	=	Annualized Fee
\$ 500,000	=	1.20%
\$ 750,000	=	1.03%
\$1,000,000	=	0.95%
\$3,000,000	=	0.65%
\$5,000,000	=	0.59%

**Points worth noting:**

- ◆ **Please keep in mind that all fees are subject to adjustment based on each client’s unique circumstances and goals. IFG’s working arrangement will be provided to you in writing after a needs/gap analysis has been completed.**
- ◆ **Asset Custody:** IFG does NOT take custody of client assets. Accounts will be in your name (or trustee you designate) at an independent third-party custodian, most often Pershing/Bank of New York-Mellon.
- ◆ **Referral Compensation Arrangements:** IFG does not pay or receive compensation, or any other material economic benefit, either directly or indirectly, involving any third party for recommending the selection or retention of professional services for a client.
- ◆ **Insurance services:** There are some instances, as noted above, where ongoing advisory fees would seem inadvisable. For example: “fixed” insurance products generally do not require continuous or ongoing manager due-diligence, oversight, and portfolio review – therefore it would seem inconsistent to charge ongoing advisory fees. Examples would include the placement of life insurance or fixed annuities, generally used when estate protection, charitable giving, or other needs when insurance products are either the only logical tool or an appropriate supplement available in the “financial toolbox”. Insurance is provided under California license #0C00742. In California, licensed agents are not allowed to charge fees for insurance placement and non-licensed professionals are not allowed to provide guidance on specific policies.
- ◆ **Financial planning fees can be paid by bank ACH or credit card and monthly or quarterly subscription fees can be arranged for certain services.**



## The Seven Step Planning Process



## Disclosures

\*Generally limited to children and grandchildren of current IFG clients.

\*\*Applies to IFG planning and advisory services only. Fees do not include advice on assets not covered under an advisory agreement, or third party fees or expenses which may be charged for custodial, management, or reporting by other third party providers. This schedule does not include or apply to compensation for assets placed in insurance products required to fulfill a plan. Annual fees are deducted on a quarterly basis by the asset custodian according to the schedule(s) outlined in the proposal and platform provider's fee agreement(s). Clients engaged prior to January 2, 2021 may be paying fees that differ from this schedule for the same services. IFG's ADV filing is available upon request. All fees are subject to change without prior notice.

JimLorenzen, CFP®, AIF®



[indfin.com](http://indfin.com)



**Jim Lorenzen, CFP®, AIF®**

**Jim Lorenzen** is a *CERTIFIED FINANCIAL PLANNER®* professional and an *ACCREDITED INVESTMENT FIDUCIARY®* serving private clients' wealth management needs since 1991. Jim is Founding Principal of **The Independent Financial Group**, a Registered Investment Advisor providing wealth management, retirement planning and investment advisory services. He is also licensed for insurance as an independent agent under California license 0C00742. Jim's background includes founding, building, and selling five successful businesses and international consulting. He has been the headline speaker at more than 500 national and international association and corporate conventions for clients such as Foster Grant, Hobie Cat, CapCities/ABC, H.R. Textron, Hearst Corporation, The National Management Association, the National Newspaper Association, and Cox Communications, as well as scores of state, regional, and national conventions. Jim has also been featured on American Airlines' *Sky Radio heard on more than 19,000 flights, as well as in The Wall Street Journal's SmartMoney magazine, The Profit Sharing Council of America's Insights, and has been published in the Journal of Compensation and Benefits, NASDAQ, and in scores of national and international association trade publications.*

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The Independent Financial Group

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**indfin.com**

805.265.5416 800.257.6659

info@indfin.com

By Appointment Only

2655 First Street, Suite 250; Simi Valley, Ca. 93065

